

Message Text

LIMITED OFFICIAL USE

PAGE 01 KABUL 05123 261636Z
ACTION NEA-10

INFO OCT-01 ISO-00 XMB-02 EB-08 COME-00 AID-05 TRSE-00
/026 W

-----083196 261721Z /47

R 260920Z JUL 77
FM AMEMBASSY KABUL
TO SECSTATE WASHDC 3681
INFO AMEMBASSY TEHRAN

LIMITED OFFICIAL USE KABUL 5123

FOR NEA/PAB

E.O. 11652: NA
TAGS: BENC, AF, IR
SUBJ: KANDAHAR CEMENT PLANT

REF: A) STATE 172925, B) KABUL 4976

1. WE WERE PLEASED TO HEAR FROM REFTTEL A THAT COMMERCE IS
EXPLORING WITH FULLER COMPANY VARIOUS FINANCING ALTERNATIVES
FOR THE STALLED KANDAHAR CEMENT PLANT. HOWEVER, AS NOTED
IN REFTTEL B, AFGHANS ARE UNLIKELY TO GO ALONG WITH ANY
PACKAGE WHICH REQUIRES AN OUTSIDE GUARANTOR. THIS
REQUIREMENT BY EX-IM CONTINUES TO BE PUZZLING TO US,
PARTICULARLY IN VIEW OF THE FACT THAT, AS FAR AS WE KNOW,
AFGHANISTAN'S REPAYMENT RECORD FOR EX-IM LOANS IS A GOOD
ONE.

2. WE ARE ALSO PUZZLED BY REFERENCE IN PARA ONE OF REFTTEL A
TO "UNKNOWN EQUITY" AND "LACK OF FOREIGN EXCHANGE
EARNINGS". SINCE THE CEMENT PLANT WOULD BE FULLY OWNED
BY THE GOVERNMENT OF AFGHANISTAN, THERE IS NO RPT NO
QUESTION OF EQUITY INVOLVED. ALSO AFGHANISTAN
DOES NOT RPT NOT SUFFER FROM A LACK OF FOREIGN
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EXCHANGE EARNINGS. ON THE CONTRARY, THEIR CURRENT
POSITION IS VERY FAVORABLE, WITH CONVERTIBLE FOREIGN
EXCHANGE RESERVES AT APPROXIMATELY \$145.9 MILLION
AS OF JUNE 20, 1977, HAVING MOVED FROM \$18.1 MILLION
IN MARCH, 1973 TO \$128.5 MILLION IN MARCH 1977
(BEGINNING OF AFGHAN YEAR). AFGHAN BALANCE OF
PAYMENTS HAVE ALSO BEEN IN CONSISTENT, AND GROWING,

SURPLUS FOR THE LAST FIVE YEARS, CLIMBING FROM
\$2.2 MILLION IN 1972/73 TO \$64.7 MILLION IN
1976/77. A SURPLUS IS PREDICTED AGAIN THIS YEAR.

3. THUS, IT SEEMS TO US THAT EX-IM IS PROCEEDING
ON THE BASIS OF FAULTY, OR INCOMPLETE DATA. GIVEN
THIS FACT, AS WELL AS THE UNACCEPTABILITY TO THE
AFGHANS OF THE "OUTSIDE GUARANTOR" REQUIREMENT, WE
RECOMMEND THAT THE DEPARTMENT MAKE A STRONG EFFORT
TO GET EX-IM TO CHANGE ITS POSITION.

4. PLEASE ADVISE.
ELIOT

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NNN

Message Attributes

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Sent Date: 26-Jul-1977 12:00:00 am
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Disposition Approved on Date:
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TAGS: BENC, AF, IR
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